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INFO AMEMBASSY BEIJING PRIORITY
AMEMBASSY CANBERRA PRIORITY
AMEMBASSY MOSCOW PRIORITY
AMEMBASSY SEOUL PRIORITY
AMEMBASSY TOKYO PRIORITY
USMISSION USNATO PRIORITY
HQ USPACOM HONOLULU HI PRIORITY
NSC WASHINGTON DC PRIORITY
SECDEF WASHINGTON DC PRIORITY

C O N F I D E N T I A L ULAANBAATAR 000161

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SUBJECT: MONGOLIA'S MANAGEMENT OF A RESURGENT RUSSIA

REF: A. IIR 6 909 0062 09
[1](#)B. ULAANBAATAR 86
[1](#)C. IIR 6 909 0060 09
[1](#)D. ULAANBAATAR 132

Classified By: Political Chief Andrew Covington,
Reasons 1.4 (a), (b) and (d)

[1](#)1. (C) Summary. Landlocked Mongolia is compelled by geography and motivated by history to seek pragmatic and workable relations with its two giant neighbors. For 15 years following Mongolia's democratic revolution in 1990, Russia maintained a low profile as it underwent its own political changes and economic crises. However, in recent years Russia has ramped up efforts to rebuild ties with Mongolia that were cut after 1990. These efforts include military exercises and exchanges, increasing numbers of high-level visits, offers of budgetary assistance, a commercial push for a significant share of Mongolia's undeveloped mineral resources, and pressure to have Mongolia step up its level of participation in international organizations to Moscow's liking such as the Shanghai Cooperation Organization. In response to this campaign, especially in the present period of post-Georgia Russian assertiveness toward its near abroad, Mongolia will seek to maintain a pragmatic and workable relationship with Russia while pursuing additional breathing room through its policy of engaging regional and international organizations and "third neighbors" such as the United States, Japan, and Europe. End Summary.

RUSSIAN DOMINANCE IN THE 20TH CENTURY

[1](#)2. (SBU) Mongolia edged toward independence with the end of the Qing Dynasty in China in 1911. Attempts by successive Chinese power holders and even an unstable White Russian baron to retake Mongolia in the decade that followed convinced Mongolian leaders of the need to seek an outside guarantee of its sovereignty. The result was the establishment of the Mongolian People's Republic in 1924, an independent country that was second Communist nation to be founded. Due in large part to this early loyalty, subsequent Soviet governments did not absorb Mongolia into the Soviet Union, and Mongolia remained nominally independent, albeit subservient in foreign policy and domestic politics to Moscow.

[1](#)3. (SBU) Soviet-Mongolian ties experienced their strongest boost after the Battle of Khalkhiin Gol in 1939, in which a combined force of Soviet and Mongolian troops repulsed a Japanese offensive over a border dispute launched from

Manchuria (then the Japanese puppet state of Manchukuo) into far eastern Mongolia. The battle lasted for months, included air support and artillery, and resulted in tens of thousands of casualties. The Japanese lost the battle and turned their attention to the south toward China, southeast Asia, and eventually Pearl Harbor. The battle is still today a lynchpin of Russian-Mongolian relations and a source of pride for Mongolians. (See paras 11 and 19 for more on the battle.)

¶4. (SBU) After the Sino-Soviet split in the 1960s, Mongolia's role as a buffer between the PRC and the USSR intensified. The number of Soviet troops stationed on the territory reached nearly 100,000) approximately 1 Soviet soldier per 20 Mongolians. The Soviet garrisons grew in size until the dissolution of the Soviet Union in 1990 caused the troops to withdraw almost overnight, taking much of their advanced weapons, equipment and expertise with them. The Russians also left behind the Cyrillic alphabet, which is still in general use today, despite occasional calls to return to the traditional Mongolian script used until the 1940s (still used in Inner Mongolia, China) or to switch to the Latin alphabet. Due to the cost, Cyrillic still reigns, though perhaps half the population can read the old script.

THE DEMOCRATIC REVOLUTION

¶5. (SBU) When the decline and imminent demise of the Soviet Union became apparent and Eastern Europe headed its own way, democratic agitators took the initiative and, through a series of largely peaceful demonstrations in central Ulaanbaatar in 1990, forced the Mongolian People's Revolutionary Party (MPRP) to open to multi-party elections and, in turn, motivated the MPRP to reinvent itself to the point where today many of Mongolia's leading business people are MPRP members.

¶6. (C) The early 1990s were a period of unique opportunity for Mongolia. Although membership in the Commonwealth of Independent States (CIS) was an option, Mongolia, which had remained nominally independent since the 1920s, chose to take advantage of the breathing room it was afforded on both sides of the border. China at the time was particularly focused on internal stability in the wake of Tiananmen and had not actively made any serious overtures to bring Mongolia back into Chinese sphere for decades, in particular because the Sino-Soviet split had militarized the border between Outer and Inner Mongolia.

PARTICIPATION IN INTERNATIONAL ORGANIZATIONS AS A WEDGE

¶7. (C) Since the democratic revolution, successive Mongolian governments have sought to bolster international awareness of the political uniqueness of Mongolia in the region. No Mongolian will pretend the Mongolian Armed Forces (MAF) could repulse an attack from either the north or the south, but Mongolian foreign policy has not relied on superior military force since the Fourteenth Century. Mongolian leaders have recognized since their political experiment of the early 1990s that a robust program of engagement with the international community is required to bolster sovereignty; Mongolians have been pragmatic and cautious enough not to assume the breathing room they were afforded on both borders after the collapse of the Soviet Union would necessarily last.

¶8. (C) As a result, we have seen an increasing tendency on the part of the GOM to coordinate UN votes with its "third neighbors" and other like-minded countries, a request for U.S. support for Mongolian chairmanship of the Community of Democracies in upcoming years, teams of Mongolian experts sent abroad to participate in crisis simulation and disaster relief exercises, the hosting by Mongolia of meetings between Japan and the DPRK in Ulaanbaatar in parallel with the Six

Party Talks to discuss regularization of their bilateral relationship, a recent conference on regional security in which the Mongolian organizers promoted their country as a potential "new Helsinki" to act as arbiter for protracted regional conflicts, and the sending of multiple rotations of Mongolian peacekeeping troops to Iraq, Afghanistan, Sierra Leone, Kosovo, and elsewhere. The MAF has prioritized participation in and now the hosting of international military exercises as noted below.

¶9. (C) Increased Mongolian participation in such international activities is not lost on Russia, which has in turn encouraged Mongolia to shift its status in the Shanghai Cooperation Organization (SCO) from observer to full participant. (Note: MFAT officials have told poloff that Mongolia has no desire to become a full member. End Note.) Russia has also countered Western military engagement with its own exercises with the Mongolians as detailed below. The Russians know they have the advantage of the MAF's desire to maintain a positive relationship with the country that manufactured most of the MAF's military hardware and still provides the vast majority of critical maintenance and spare parts.

RUSSIA,S RESPONSE TO U.S. MILITARY COOPERATION

¶10. (C) U.S. military cooperation with Mongolia is evident in the multiple iterations of military exercises such as Khaan Quest that have taken place since 2000 and which have grown in scope to include far-flung participants such as Qatar. Mongolian participation in international operations in Iraq and Afghanistan since 2003 and the GOM's recent commitment to send additional troops to Afghanistan have not gone unnoticed by the Russians. Furthermore, in February 2009, the MAF initiated a shift in the organization of its General Staff from a Russian model to a Western model, provoking Russian concern (see reftel A).

¶11. (C) Russia has sought to match growing U.S. cooperation and influence in Mongolia by offering its own military exercises here, the first of which, Darkhan I, took place in November 2008. The exercise brought 450 Russian maintenance troops onto Mongolian territory to provide sorely needed maintenance to many of the MAF's Soviet- and Russian-built transport vehicles as well as training on such maintenance for their Mongolian counterparts. This was the first time since the withdrawal of Soviet troops that Russian soldiers were present in Mongolia in such numbers. The exercise was followed by a ceremony in which President Enkhbayar awarded medals to Russian and Mongolian participants. Darkhan II is planned for late August 2009 to coincide with the 70th anniversary of the Battle of Khalkhiin Gol. (Note: Darkhan I was referred to with the "I" from the beginning, implying that the Russians were planning future iterations of the exercise from the get go. End Note.)

¶12. (SBU) Russia's response to Mongolia's extensive defense cooperation with the United States also includes a surge in military assistance, with a \$120 million assistance program currently underway that includes promises of two MiG-29s, tanks, and armored personnel carriers. However, to date, only two MI-171 helicopters and some Russian military and utility trucks have been delivered. (See reftel B.)

¶13. (SBU) Russian-Mongolian exchanges of military personnel are also on the rise. The Russian Defense Attache to Mongolia, Colonel Verba, recently told the Mongolian press that the years of stagnation in Mongolian-Russian military relations have passed. Verba also noted that approximately 150 Mongolian servicemen are studying in military education institutions of the Russian Ministry of Defense (see reftel C). Senior Mongolian and Russian military officials have engaged in high-level exchanges during the past year, including the visit to Mongolia of Chief of the General Staff of the Russian Federation Makarov.

¶14. (C) Although Mongolia may have felt comfortable in the past with the balance of military cooperation and exercises squarely on the Western side of the ledger in the absence of an assertive Russia, a tendency toward something closer to parity, at least in appearances, is emerging as Russia presses the role it can play that stems from history and geography: Russia enjoys a certain comparative advantage in this regard, as the MAF almost exclusively uses Russian equipment and weaponry, and Russia can make use of a direct, low-cost rail connection into Mongolia.

SPEAKING OF THE RAILROAD: MCC CHALLENGES

¶15. (C) Recent events related to the Millennium Challenge Corporation (MCC) activities in Mongolia offer another lens to examine the Russian resurgence in Mongolian affairs. In October 2007, President Enkhbayar signed a \$285 million MCC compact in the Oval Office) the only foreign leader to have done so. The largest of the four component projects was to be a \$188 million investment into the Mongolian rail system, which is 50 percent Russian owned. Despite Mongolian assertions that they could handle any objections from the Russian half, the Russians - likely with encouragement from Moscow - refused to allow a required audit of the rail company, effectively vetoing the project.

¶16. (C) Soon after the loss of the MCC rail project became public, the Russians offered their own \$250 million aid package to improve the rail network. Although the other three components of the original MCC compact are moving forward and the GOM is working with the USG to detail optimal ways to attempt to reprogram the \$188 million, the Russian veto of the MCC rail project and its prompt, subsequent investment into the Mongolian rail sector smack of the staking out of turf. The Mongolian public in general has assigned blame to the Russians for the MCC fiasco, perhaps motivating the Russians quickly to provide their own rail upgrade package.

EYES ON THE PRIZE: MINING

¶17. (C) Russian firms have come out more aggressively in the past two years with the backing of Moscow to seek contracts (exclusive or otherwise) to extract coal from the massive Tavan Tolgoi deposit, copper from the equally impressive Oyu Tolgoi site, and uranium from deposits in Dornod Province and elsewhere. During meetings in Moscow and Ulaanbaatar in March and May, 2009, respectively, Prime Ministers Bayar and Putin discussed the creation of a joint venture to develop uranium deposits. Although the Mongolian Parliament has not yet passed mining legislation despite the establishment of a coalition government in September 2008 that brought in 72 of the 76 seats in the legislature, Parliament also has resisted any temptation of simply assigning the exploitation of these revenues without a transparent and fair process. Rumors circulated in the press in early 2009 that Oyu Tolgoi had been "given to the Russians," but these were soon discredited and the Parliamentary indecision continued. (Note: Currently, Parliament has referred the mining legislation back to the GOM working group for retooling as recommended by the MPs. End Note.)

RUSSIAN BUDGETARY SUPPORT

¶18. (C) During the visit last month of Russian PM Putin to Mongolia (see para 19), the two sides signed a memorandum of understanding in response to a Russian offer of \$300 million in budgetary assistance loans to help Mongolia through the current financial crisis. According to the Ministry of Agriculture, an initial shipment of tractors worth \$25 million was received for the spring wheat planting season in Mongolia, despite the terms of the loan not yet being

finalized at the time. The same Ag contact could not provide data on the terms of the loan or even if the terms have yet been finalized but did confirm that \$140 million of the loan is intended for agricultural purposes.

HIGH-LEVEL VISITS CONTINUE APACE

¶19. (C) High-level Russian-Mongolian visits in both directions have picked up in recent years. Putin visited Mongolia on May 13 for the first time as Prime Minister, just 11 days before the Mongolian presidential election, sparking concerns of foreign meddling that may have harmed incumbent candidate Enkhbayar of the MPRP. Regardless of his intentions, the Mongolian public reacted to the 2009 Putin visit with markedly less enthusiasm than when he visited nine years earlier as president (reftel D). Russian President Medvedev is expected to come to Mongolia to commemorate the 70th anniversary of the Battle of Khalkhiin Gol in late August. The recent visit of Chief of the General Staff Makarov is noted above in para 13. Mongolian Defense Minister Lu. Bold (of the Democratic Party) visited Russia in December 2008.

¶20. (C) The Mongolians for their part have reciprocated, with PM Bayar making so many visits to Russia in the second half of 2008 (three) in addition to a meeting with Putin in Moscow in March 2009, that he was criticized in the press for a lack of balance. Although some observers - particularly those with Democratic Party (DP) connections) have accused Bayar of having overly close ties to Moscow stemming from his days there as Ambassador (2001-2005), post has found the English-speaking Bayar to be an earnest and open interlocutor.

COMMENT

¶21. (C) Mongolia faces a resurgent Russia vying for greater influence in the post-Georgia period, especially along its borders. Mongolia's only other neighbor is a growing China that has diluted the Mongolian population of Inner Mongolia to the point of marginalization. Although some might find this cause for alarm, the Mongolians are arguably Asia's most successful managers of Russian influence. Never did Mongolia lose its independence during the socialist era despite Soviet pushes for integration and Chinese claims to all its territory. Since the democratic revolution, Mongolia has aggressively pursued a policy of engaging the global community as a constructive, energetic, and increasingly visible partner. Mongolia's "third neighbor" relationship with the United States and other like-minded states will remain crucial to the Mongolian policy of outward engagement as a counterpoint to its relationship with Russia for the foreseeable future.

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